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SUBJECT: JAPANESE VIEW OF RUSSO-JAPANESE RELATIONS FROM
VLADIVOSTOK

Classified By: Acting Political Minister Counselor David Kostelancik for reasons 1.4 (B) and (D)

¶1. (C) Summary. According to the Japanese Consulate General in Vladivostok, Russia and Japan currently enjoy a "calm and good" relationship marked by expanding economic ties. The Russian desire to develop its Siberian and Far East regions, as well as infrastructural needs for Vladivostok's hosting of the 2012 APEC summit, provide rich business opportunities for Japanese firms. The continued dispute over the southern Kiril/Shishima Islands and the resulting Japanese businesses' lingering negative image of Russia, however, provide a current of disquiet beneath the seemingly tranquil waters of the bilateral relationship. End Summary.

¶2. (SBU) During an Embassy Moscow Poloff visit to Vladivostok, Japanese Deputy Consul General Tomonori Hasegawa shared his views on the Russo-Japanese relationship. Sitting seven time zones closer to Tokyo than its Moscow embassy, the Japanese consulate has a unique view of the bilateral relationship, as well as a finger on the pulse of the Russian Far East (RFE) economy.

A Quiet Relationship Defined by Economic Interests

¶3. (SBU) Unlike its East Asian neighbors China and South Korea, Japan has not yet felt a particular need to cement a "strategic" relationship with Russia, nor is there a fixed schedule for reciprocal top leaders' visits. The two governments conduct a strategic dialogue at the deputy foreign minister level twice a year (the most recent round was held in Moscow on October 7), and an inter-governmental commission on trade has been created in the last year with both public and private sector participation. Approximately 800 Japanese currently live in Russia, with 120 in Vladivostok and a couple of hundred more in the Sakhalin area. Most of the Japanese expats consider life in the RFE to be good, according to Hasegawa, and xenophobia is not a problem for most, except in isolated incidents when a Japanese national is mistaken for a Chinese migrant.

¶4. (C) Hasegawa characterizes the Russo-Japanese relationship as "calm and good," bolstered by common economic interests. In 2007, the trade volume between the two countries reached \$20 billion, and the figure is expected to grow by 30% this year. Japanese and Russian companies have already undertaken concrete projects in the joint development of Siberian energy resources, and the Japanese government last year proposed further areas of cooperation in the East Siberian and Far East regions. Tokyo hopes that its proposal, encompassing joint projects in the energy, transport, information technology, environmental protection, health care, trade and investment, and law enforcement areas, will be the basis of future discussions with Moscow on deepening the bilateral relationship. However, Hasegawa

laments, the GOR so far has not responded substantively.

15. (SBU) Hasegawa indicated that Japan was optimistic that the GOR's serious intentions to develop the RFE and to prepare for the 2012 APEC summit in Vladivostok would lead to effective efforts to combat corruption and improve the investment climate, thereby giving boost to bilateral economic ties. Already, several Japanese business delegations had visited Vladivostok to negotiate participation in construction projects associated with the APEC summit. In particular, Japan might contribute its expertise in cement production for a bridge project that the Primorskiy Krai had identified as part of the plan to improve infrastructure in the run up to 2012.

Territorial Dispute and Low Investment Mar the Relationship

16. (C) Simmering directly beneath the tranquil waters of the Russo-Japanese relationship, however, is Japanese resentment over the Kiril Islands (Southern Shishima) territorial dispute. While a formal channel exists for the two sides to discuss the issue, meetings have not taken place regularly and the dispute remains stalled. Hasegawa commented that the GOR, as the government currently exercising active administration over the islands, was in no hurry and preferred to ignore the issue for now in favor of expanding the economic relationship. Japan, on the other hand, was anxious to address the economic and territorial issues simultaneously. In particular, Japan did not want to follow China's example, in which Beijing was content to receive half of the Bolshoy Ussuriyskiy (Hexiazi) Island from the Russians as part of the June, 2008 border settlement

agreement. Tokyo believed that, in the Russo-Japanese case, it should get back all four disputed islands in their entirety, Hasegawa stated.

17. (C) While Hasegawa viewed the Russo-Japanese economic relationship in positive terms, his colleague in the Japanese Embassy in Moscow, Political Section Counselor Jun Nanazawa, noted to us that bilateral trade and investment ties, while growing, were not very strong. (N.B. The \$20 billion two way trade volume is about half of the trade volume between Russia and China, and one seventh of the trade volume between the United States and Japan.) In comparison to China and Korea, Japanese investment in the RFE and Siberia lagged far behind. Japanese businesses were more cautious, and in general tended to seek large-scale projects rather than opening mom-and-pop stores in Russia like the Chinese and South Korean businesses. Hasegawa also admitted that despite a warming trend, large segments of Japanese investors maintained a negative image of Russia and remained unwilling to invest here. The reasons were multiple, including the ongoing territorial disputes, lingering memory of the harsh treatment of Japanese soldiers by the Russians at the end of World War II, and a still pervasive impression of a poor investment climate resulting from the negative experiences of the 1990s, when several Japanese firms were cheated out of their investments by their Russian partners.

Comment

18. (C) During a September conference of Russian and Japanese scholars at the Moscow State Institute of International Relations (MGIMO), several Russian academics rather emotionally argued for closer ties between Moscow and Tokyo as counterweight to the "U.S. hegemon" in the wake of the Georgia crisis. Given the current state of "calm" relations between Russia and Japan, the specter of a Russo-Japanese alliance against the United States and the West is not likely to materialize. Japan's proximity to the Russian Far East and the Russian government's genuine desire to develop its eastern regions create much room for the two governments to foster a closer economic relationship. However, as long as the territorial dispute is not resolved, the relationship will remain largely "calm," and stalled.

